

The Borden Company

ESTABLISHED 1857

AND ALL SUBSIDIARY COMPANIES

ANNUAL REPORT

For the fiscal year ended December 31, 1929

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AND ALL SUBSIDIARY COMPANIES



ANNUAL REPORT
FOR THE FISCAL YEAR ENDED
DECEMBER 31, 1929



February 1930
THE BORDEN COMPANY
New York

THE BORDEN COMPANY

*DIRECTORS

UNION N. BETHELL
LEWIS M. BORDEN
ALBERT T. JOHNSTON
ROBCLIFF V. JONES

JOHN LE FEBER
EDWARD B. LEWIS
JOHN W. McCONNELL
ALBERT G. MILBANK
ARTHUR W. MILBURN

BEVERLEY R. ROBINSON
HENRY C. SHERMAN
WALLACE D. STRACK
ROBERT STRUTHERS

OFFICERS

ALBERT G. MILBANK, *Chairman Board of Directors*
ARTHUR W. MILBURN, *President*
PATRICK D. FOX, *Vice-President*
ALBERT T. JOHNSTON, *Vice-President*
EDWARD B. LEWIS, *Vice-President*
MERRITT J. NORTON, *Vice-President*
WALLACE D. STRACK, *Vice-President*
GEORGE M. WAUGH, JR., *Vice-President*
WILLIAM P. MARSH, *Secretary and Treasurer*
STEPHEN J. DEBAUN, *Assistant Treasurer*
EVERETT L. NOETZEL, *General Controller and Assistant Secretary*
HERBERT W. DYE, *Controller and Assistant Treasurer*
WALTER H. REBMAN, *Assistant Secretary*
GEORGE BITTNER, *Assistant Treasurer*†

†Elected Jan. 7th, 1930.

EXECUTIVE OFFICES

THE BORDEN COMPANY
350 Madison Avenue, New York City
(*Subsidiary and Territorial Offices not included*)

REGISTERED OFFICE

15 Exchange Place, Jersey City, N. J.

Transfer Agents, EQUITABLE TRUST COMPANY, 11 Broad Street, New York City
WELLS FARGO BANK AND UNION TRUST CO., San Francisco, Cal.
Registrars, BANKERS TRUST COMPANY, 16 Wall Street, New York City
BANK OF CALIFORNIA, N. A., San Francisco, California
Counsel, MASTEN & NICHOLS, 49 Wall Street, New York City

*On December 31, 1929 there were two vacancies on the Board of Directors occasioned by the death on December 13, 1929 of Mr. Chellis A. Austin and the necessary resignation of Mr. Walter E. Hope following his appointment to the office of Assistant Secretary of the Treasury of the United States.

CORPORATE ORGANIZATION AND SCOPE

The business of your company for the year under report falls into four general divisions. In conformity with this and as later referred to under "Co-ordination" on page 7 of this Report, there were created during the year 1929 four major sub-holding companies to conduct and co-ordinate the operations of these four general divisions.

The Borden Company owns 100% of the stock of these sub-holding companies, each of which companies, in turn, owns 100% of the operating companies coming under its control.

These four major sub-holding companies are as follows:—

Borden's Food Products Company, Inc.

Food Products Group—manufacture and sale since 1857 of Eagle Brand as well as other brands of condensed milk; also evaporated, malted and dry milk; loaf, soft and fancy cheeses; casein products, caramels, mince meat, dried fruit juices, etc.

Business of the above nature is conducted throughout the United States, Canada and in Export Markets.

Borden's Dairy Products Company, Inc.

Fluid Milk Group—purchase and distribution by a system of wagon deliveries of milk, cream, butter, eggs, etc.

Business of the above nature is conducted in the States of:—

Arizona	Indiana	New Jersey	Pennsylvania
California	Massachusetts	New York	Texas
Connecticut	Michigan	Ohio	Wisconsin
Illinois			

and in the Provinces of Ontario and Quebec in Canada.

CORPORATE ORGANIZATION AND SCOPE

[Continued]

Borden's Ice Cream and Milk Company, Inc.

Ice Cream Group—manufacture and sale of ice cream and allied products.

Business of the above nature is conducted in the States of:—

California	Indiana	Michigan	Ohio
Connecticut	Iowa	Missouri	Pennsylvania
Delaware	Maryland	New Jersey	Texas
Illinois	Massachusetts	New York	Wisconsin

and in the Province of Ontario in Canada.

Borden's Produce Company, Inc.

Produce Group—purchase, production and sale of farm produce (butter, eggs, etc.) as a source of supply for our own wagon distribution and at wholesale.

Business of the above nature is conducted throughout the United States, Canada and in certain Export Markets.

COMMENT

THE year 1929 was one of marked progress and development of your Company. It was also a year of further expansion and diversification of its activities. All conditions considered, most satisfactory progress was made, as applying to both the old and the new business of the Company.

Sales, Net Income and Earnings per Share were the largest in the history of the Company.

Sales and Net Income

Sales for the year amounted to \$328,466,988.71 and Net Income derived was \$20,403,724.73, being 6.21 per cent on sales and slightly more than \$5.50 per share on Capital Stock outstanding December 31, 1929. These earnings per share compare with \$4.54 per share earned in 1928 on stock of corresponding par value.

The shares outstanding at the close of the year included all stock issued up to that date in payment for businesses acquired during the year, irrespective of the dates when such stock was issued. The Borden income, however, only reflects the earnings of such businesses *subsequent* to the dates when they were respectively acquired.

Net Working Capital

Net Working Capital amounted on December 31, 1929 to \$35,265,102.48 as compared with \$31,127,030.73 on December 31, 1928. Current Assets as of December 31, 1929, amounted to \$2.22 for each \$1.00 of Current Liabilities.

Cash on hand December 31, 1929 of \$8,750,764.31 compares with \$13,546,195.71 on hand at the close of the previous year.

Cash was, of course, affected by the paying off of numerous Bond, Note and/or Preferred Stock issues of Companies acquired during the year, thereby leaving the Common Stock of The Borden Company without any outstanding securities senior thereto.

Cash was also affected by the much larger working capital requirements, particularly as to trading assets, of a greatly increased business.

Marketable Securities on hand December 31, 1929 of \$11,354,864.09 compares with \$10,243,641.93 on hand at the close of the previous year. The market value of these securities exceeds their book value.

Inventories on hand December 31, 1929 of \$26,442,624.03 compares with \$11,633,098.82 on hand at the close of the previous year. It is plainly to be seen that with the numerous acquisitions made and the larger business done during the year, together with the nature of the business of some of these acquisitions, this item must necessarily show a considerable increase. As to some items of comparatively small importance in our operations more than a normal stock was on hand at December 31, 1929, but on that date all Inventories were carried at cost or market, whichever was the lower, and the general inventory position at the beginning of the current year is a good one.

Collections have been and are good, with only normally small credit losses, against which adequate Reserves have, as always, been provided by charges to current operations, with the result that Receivables are in their usual excellent condition, but again very much increased for the same reasons affecting Inventories.

All of the foregoing, in addition to its effect upon Cash, resulted in the need for temporary financing, taking the form of Notes Payable to our Banks in the amount of \$8,548,600.00 on December 31, 1929. In this connection, it should be remembered that no new cash capital was put into the business by our stockholders during the year as they had done in each of the five previous years.

Our Finance Committee always has before it for consideration and recommendation to the Board of Directors such Stockholder financing, if any, as may be deemed advisable to cover the before mentioned and any other additional capital requirements.

Mortgages and Purchase Money Notes

This item of \$611,157.00 at December 31, 1929 is made up entirely of obligations assumed in connection with businesses acquired in 1929 and represents the balance of such items after anticipations. These obligations will be paid off on their varying due dates.

Property, Plant and Equipment

This item stands net after adequate depreciation provision, at \$101,732,210.79 on December 31, 1929 as compared with \$66,162,072.49 on December 31, 1928.

While considerable monies were expended in the extension and improvement of already owned plants, by far the greater portion of this increase is due to new acquisitions. All important plant extensions, with certain general betterment items were treated as capital expenditures.

The Company at all times maintains its properties in excellent physical condition and constantly studies their needs, both as to capacity and efficiency.

Extension and improvement of existing plants and equipment together with the construction and equipping of new properties will be vigorously pursued on a large scale during the present calendar year.

All property expenditures are controlled by a conservative policy of accounting.

Expansion

The Stockholders have, from time to time, received detailed announcements as to acquisitions made, and a recapitulation of those, effected since our last annual report, which constitute operating units under their old names or substantially similar names, and of others contracted for prior to January 1, 1930, which will not form a part of this Company's operations until 1930, appears on pages 10 and 11.

Our 1929 acquisitions have accomplished a further product and territorial diversification of the Company's business, and have affected all branches thereof.

The business of our Cheese Division has been notably diversified by the addition of several cheese companies engaged in the manufacture and sale of well known trade marked brands of soft and fancy cheeses of excellent reputation having very great potentialities.

A further product diversification of the Company, but all within the dairy industry, results from our several acquisitions engaged in the purchase, production and sale of farm produce (butter, eggs, etc.). These businesses, in addition to affording a supply for our wagon distribution and at wholesale, also afford the farmer additional outlets for more of his products.

The close of the year finds our territorial diversification improved and strengthened, especially on the Pacific Coast, in the South-West, and in Canada.

Borden Company Stock has been the consideration in practically all transactions, except for the cash involved in the retirement of outstanding Bond, Note and/or Preferred Stock issues.

Co-ordination

Much progress has been made during the past year in the co-ordination of our numerous activities. Probably the most outstanding move in this direction was the creation of four major sub-holding companies, each being under the direction of a Vice-President of The Borden Company, whose ability, training and experience qualify him to administer the operating companies falling within the scope of his particular holding company. These holding companies are so organized that all businesses of like or closely related activities fall under one jurisdiction.

The administrative heads of these divisions, together with the other senior officers of The Borden Company, work as a group in the formulation of major operating policies and the consideration and disposition of all inter-company matters.

Each Vice-President, in turn, is flanked by trained assistants and territorial heads to assist in the general supervision and co-ordination of all units within his

group. Local management of individual operating companies continues under the guidance of those who have for years prior to their becoming a Borden unit been engaged in their direction.

The four major sub-holding companies, the activities of each of which are set forth on pages 3 and 4, are as follows:—

BORDEN'S FOOD PRODUCTS COMPANY, INC.

BORDEN'S DAIRY PRODUCTS COMPANY, INC.

BORDEN'S ICE CREAM AND MILK COMPANY, INC.

BORDEN'S PRODUCE COMPANY, INC.

Co-ordination work generally and the creation of Service Bureaus of varying nature intended to serve all Companies and assist in the development and general application of established best practice is receiving constant attention.

Trade Marks, Patents and Good Will

Although the trade marks and good will of our 1929 acquisitions are most valuable, and if capitalized would justify the use of large figures, this item remains unchanged at the close of 1929 at \$7,000,000.00. This is brought about by the fact that while in some cases, after adjustment of asset values, the net tangible assets were less than the cost of the business acquired, this difference was offset by other acquisitions having net tangibles in excess of their cost.

Capital Stock

During the year the Stockholders voted to increase the Authorized Capital Stock from two million shares of \$50.00 par capital stock of an aggregate par value of \$100,000,000.00 to eight million shares of \$25.00 par capital stock of an aggregate par value of \$200,000,000.00.

Of this latter amount there was outstanding on December 31, 1929 \$92,668,100.00, represented by 3,706,724 shares of stock of the par value of \$25.00 each as compared with \$62,588,750.00 represented by 1,251,775 shares of stock of the par value of \$50.00 each on December 31, 1928.

All of this increase in outstanding capital stock of the Company, which for the year amounts to \$30,079,350.00 and 1,203,174 shares of \$25.00 par value, was issued in payment for businesses acquired during the year since, as previously stated, no additional stock was offered to Stockholders for subscription during the year 1929.

The Stock outstanding December 31, 1929 was held by 17,167 Stockholders with an average holding of 215 shares of \$25.00 par value as compared with 9,482 Stockholders with an average holding of 132 shares of \$50.00 par value on December 31, 1928. Employees held on December 31, 1929 an aggregate of 968,697 shares.

The steadily increasing number of Stockholders seems to justify the belief of the Directors at the time that a reduction in the par value of the stock would result in a wider distribution thereof.

Stock Dividend

On December 17, 1929 the Directors declared an inaugural extra dividend of 3% payable in Borden Company Stock on January 15, 1930, to Stockholders of record December 30, 1929 resulting in the issuance of 111,201 shares of stock of \$25.00 par value. This is in addition to the regular \$3.00 cash dividend.

It seems probable that in such years as earnings and conditions warrant, further extra dividends will be declared at such rates and in such form as then seems justified.

The Organization

A splendid, hard working, intelligent organization—working co-operatively, which has been still further strengthened during the past year, continues as the Company's greatest asset.

The united efforts of this organization are acknowledged with grateful appreciation.

Respectfully submitted,

ARTHUR W. MILBURN,
President.

1929 ACQUISITIONS CONSTITUTING SEPARATE
OPERATING UNITS, AND NOT COVERED
IN PREVIOUS ANNUAL REPORTS

Allocated to Food Products Group

<i>Name of Company</i>	<i>Location</i>	<i>Name of Company</i>	<i>Location</i>
<i>Cheese</i>		<i>Dry Milk</i>	
A. H. BARBER & COMPANY, INC.	{ Chicago, Illinois and Middle West.	THE CASEIN MFG. COMPANY OF AMERICA, INC.	{ United States, Canada and Europe.
GRUNERT CHEESE COMPANY, INC.		THE DRY MILK COMPANY, INC.	
		NATIONAL MILK SUGAR CO., INC.	
HASSELBECK CHEESE COMPANY, INC.	{ Buffalo, New York.	GALLOWAY-WEST COMPANY, INC.	Fond-du-Lac, Wis.
THE MONROE CHEESE COMPANY, INC.	{ Van Wert, Ohio.	MARICOPA CREAMERY COMPANY, INC.	{ Phoenix, Arizona.

Allocated to Fluid Milk Group

AVERILL DAIRY CO., INC.	Akron, Ohio.	PLAINFIELD MILK AND CREAM COMPANY, INC.	Plainfield, N. J.
CASTANEA DAIRY CO., INC.	Trenton, N. J.	SPRINGFIELD DAIRY PRODUCTS CO., INC.	{ Springfield, Ohio and environs.
CAULFIELD'S DAIRY, LTD.	{ Toronto, Canada and Suburbs.	STANDARD CREAMERIES CO., LTD., AND SUBSIDIARIES	{ Oakland, Sacra- mento, Fresno, Stockton, Santa Barbara, Taft, Hayward and Tur- lock, California.
DAIRY DALE COMPANY, AND SUBSIDIARIES	{ San Francisco, Sacramento and Fresno, California and immediate vicinity.	WALKER-GORDON LABORATORY COMPANY, INC.	{ New York Metro- politan Area, Bos- ton, Philadelphia and certain other cities.
MUTUAL DAIRY ASS'N PEERLESS CREAMERY CO. now known as BORDEN'S FARM PRODUCTS CO. OF CALIFORNIA, LTD.	{ Los Angeles, Cal.	TERRE HAUTE PURE MILK & ICE CREAM CO., INC.	{ Terre Haute, Indiana.

Allocated to Ice Cream Group

<i>Name of Company</i>	<i>Location</i>	<i>Name of Company</i>	<i>Location</i>
HENDLER CREAMERY CO., INC. CLOVER ICE CREAM CO., INC. HORN ICE CREAM CO., INC. SUPREME ICE CREAM CO., INC.	Baltimore, Md. and adjacent territory.	THE PURITY ICE CREAM AND DAIRY COMPANY, INC.	Springfield, Ohio and environs.
JOHN T. CUNNINGHAM ICE CREAM COMPANY, INC. MCBRIDE BROS. ICE CREAM COMPANY, INC.	Chicago, Illinois.	THE RED WING CORPORATION	Dayton, Ohio.
HOSLER ICE CREAM CO., INC.	Albany, N. Y.	SHARPLESS-HENDLER ICE CREAM COMPANY	Wilmington, Del. and adjacent territory.
		TROJAN ICE CREAM CORP.	Troy, Glens Falls, Saratoga Springs and Hudson, N. Y.

Allocated to Produce Group

Butter, Eggs, etc. TITMAN EGG CORPORATION H. J. KEITH COMPANY, INC. FOX RIVER BUTTER CO., INC.	New York, N. Y.	HANFORD PRODUCE COMPANY	Sioux City, Iowa.
THE AMOS BIRD COMPANY	Shanghai, China.	KIRSCHBRAUN & SONS, INC.	Omaha, Nebraska.
MISTLETOE CREAMERIES, INC. AND SUBSIDIARIES	Fort Worth Texas	WILLOW SPRINGS CREAMERY CO.	Springfield, Mo.
		M. AUGENBLICK & BRO., INC.	Newark, N. J.
		NORFOLK POULTRY COMPANY	Norfolk, Neb.

Acquisitions Contracted for Prior to January 1, 1930, But Whose Operations Did Not Become a Part of This Company's Operations Until 1930, Are as Follows:

BOULEVARD DAIRY CO., INC.	Albany, N. Y.	WILLOW BROOK DAIRY INC.	Mt. Vernon, New Rochelle & White Plains, N. Y.
COLLAR CITY CREAMERY CO., INC.	Troy, New York.	CERTIFIED ICE CREAM CO.	Chicago, Illinois.
THE MITCHELL DAIRY COMPANY, INC.	Bridgeport, Conn.	THE HALL ICE CREAM COMPANY, INC.	Glens Falls, N. Y.

THE BORDEN COMPANY *and all* SUBSIDIARY COMPANIES

Consolidated Balance Sheet, December 31, 1929

ASSETS

PROPERTY, PLANT AND EQUIPMENT:

Including Madison Avenue and Hudson Street Office Building
Properties (Values are based on cost or on field surveys by
Company's engineers, supplemented where necessary by
independent appraisals, with subsequent additions at cost). \$149,145,922.11

LESS:

Mortgages—Madison Ave. Office Building		
Properties	\$ 1,400,000.00	
Reserves for Depreciation	46,013,711.32	47,413,711.32

NET PROPERTY, PLANT AND EQUIPMENT	\$101,732,210.79
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CURRENT ASSETS:

Cash	\$ 8,750,764.31	
Receivables—Less Reserve for Doubtful		
Accounts	17,648,957.77	
Marketable Securities (at Market or Less) .	11,354,864.09	
Finished Goods (at the Lower of Cost or		
Market)	19,580,546.29	
Raw Materials and Supplies (at the Lower		
of Cost or Market)	6,862,077.74	64,197,210.20

PREPAID ITEMS AND MISCELLANEOUS ASSETS	1,116,915.97
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TRADE-MARKS, PATENTS AND GOOD-WILL	7,000,000.00
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TOTAL	\$174,046,336.96
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THE BORDEN COMPANY *and all* SUBSIDIARY COMPANIES

Consolidated Balance Sheet, December 31, 1929

LIABILITIES

MORTGAGES AND PURCHASE-MONEY NOTES ASSUMED \$ 611,157.00

CURRENT LIABILITIES:

Notes Payable \$ 8,548,600.00

Accounts Payable 14,033,431.49

Accrued Accounts:

Income Taxes (Estimated) 2,332,429.34

Other Items 4,017,646.89 28,932,107.72

DEFERRED CREDITS 426,095.19

TOTAL \$29,969,359.91

CAPITAL STOCK—THE BORDEN COMPANY:

*3,706,724 Shares Common (\$25.00 each) . \$92,668,100.00

RESERVES:

Insurance, Contingencies, etc. 12,202,237.38

SURPLUS 39,206,639.67

TOTAL CAPITAL STOCK, RESERVES AND SURPLUS 144,076,977.05

TOTAL \$174,046,336.96

*On January 15, 1930, an additional 111,201 shares were issued as a stock dividend of 3% to Stockholders of record December 30, 1929.

THE BORDEN COMPANY *and all* SUBSIDIARY COMPANIES

*Statement of Consolidated Income and Profit and Loss
for the Year Ended December 31, 1929*

GROSS SALES	\$328,466,988.71
NET OPERATING PROFIT:	
(After deducting all operating charges, which include provi- sion for depreciation in the amount of \$7,815,833.31, insur- ance and property taxes)	\$22,378,985.67
OTHER INCOME—Interest (Net), Dividends, etc.	557,708.39
GROSS INCOME	\$22,936,694.06
OTHER DEDUCTIONS—Income Taxes (Estimated)	2,532,969.33
NET INCOME	\$20,403,724.73
SURPLUS, January 1, 1929	30,313,609.13
GROSS SURPLUS	\$50,717,333.86
SURPLUS CHARGES:	
Dividends—Paid during the year	\$10,047,636.75
Loss on Property and Securities Sold (based on cost)	323,802.30
Appropriations to Reserves	1,139,255.14
(Including as in former years provision for profit sharing, amounting for 1929 to \$999,255.14, which is included with Current Liabilities in the accompanying Balance Sheet)	11,510,694.19
SURPLUS, December 31, 1929	\$39,206,639.67

HASKINS & SELLS
CERTIFIED PUBLIC ACCOUNTANTS

OFFICES IN THE PRINCIPAL CITIES OF
THE UNITED STATES OF AMERICA
—AND IN—
LONDON, PARIS, BERLIN, SHANGHAI,
MONTREAL, HAVANA, MEXICO CITY

75 EAST 45TH STREET
NEW YORK

THE BORDEN COMPANY *and all* SUBSIDIARY COMPANIES

CERTIFICATE OF AUDIT

WE have audited the accounts of The Borden Company and its subsidiary companies for the year ended December 31, 1929, or, as to companies whose businesses were completely acquired during the year, for the periods from the effective dates of acquisition to December 31, 1929.

We have verified the accounts representing cash and securities either by examination of such assets or by obtaining certifications of depositaries.

The charges to property accounts have been controlled by a conservative policy. In our opinion, adequate reserves have been provided for depreciation of property and for possible losses, and full provision has been made for all known liabilities.

The inventories of finished goods and raw materials and supplies represent balances shown by inventory records which are adjusted from time to time to agree with physical inventories. The inventory records were examined by us and appear to be correct. All inventory valuations are based upon cost or market, whichever was lower.

WE HEREBY CERTIFY that in our opinion the accompanying Consolidated Balance Sheet and Statement of Consolidated Income and Profit and Loss correctly set forth, respectively, the financial condition of the companies at December 31, 1929, and the results of their operations for the year (or lesser periods) ended that date.

HASKINS & SELLS.

New York, February 20, 1930.

Borden's